

Management Discussions and Analysis

Financial performance summary of Asia Aviation Public Company Limited and subsidiary

Asia Aviation Public Company Limited (“the Company” or “AAV”) is a major shareholder of Thai AirAsia Company Limited who is an airline operator of Thai AirAsia, in which the Company currently holds 55%. Under TFRS 3: Business Combination, AAV had conducted full consolidation of its subsidiary, effective 4 May 2012. Consequently, AAV’s financial statements ended 31 March 2013 are on the fully consolidated basis as compared to the financial statements ended 31 March 2012 on the proportionate basis. For the purpose of this management discussion and analysis, the Company will explain the effects resulting from the consolidation at AAV’s level but will not show the comparison analysis on a YoY basis as the basis of preparing the financial statements is different and not comparable. Nonetheless, it will further discuss the results of operations in details at Thai AirAsia level for analysis based on the same comparable basis.

Asia Aviation Plc.'s financial performance for 1Q13 has been summarized below:

Since 1 January 2013, the Company has applied Thai Accounting Standard 12, which dealt with accounting for current and deferred income taxes. As a result, AAV had retrospective adjustments in consolidated statement of comprehensive income (proportionate) for the three-month period ended 31 March 2012, having the income taxes expenses increased by Baht 73.5 million, which led to the decrease in basic earnings per share of Baht 0.02; and in consolidated statement of financial position for the year ended 31 December 2012, having the deferred tax liabilities increased by Baht 27.8 million, the other component of equity – other reserves decreased by Baht 3.3 million, the retained earnings decreased by Baht 13.0 million and the non-controlling interests decreased by Baht 11.5 million. For more details, refer to Asia Aviation Plc.'s notes to interim financial information no. 4.1 and no. 12 for the three-month period ended 31 March 2013.

In 1Q13, AAV had completed measuring the fair value of identifiable assets acquired and liabilities assumed of TAA according to TFRS 3 “Business combinations” that the acquirer (AAV) shall retrospectively adjust the provisional amounts recognized at the acquisition date (4 May 2012) within a year after such date to reflect additional information about facts and circumstances that existed as of the acquisition date. Thus, the effects on the adjustments to the AAV's consolidated statement of financial position as at 31 December 2012 are as follows:

Unit: Baht million	Consolidated financial information As at 31 December 2012
Inventories increased	21.2
General investment increased	1.5
Leasehold improvements and equipment, net increased	151.9
Intangible assets, net increased	1.0
Goodwill increased	1,409.7
Deferred tax liabilities, net increased	3,006.3
Non-controlling interests decreased	1,385.9
Retained earnings decreased	35.1

For more details, refer to Asia Aviation Plc.'s notes to interim financial information no. 5 for the three-month period ended 31 March 2013.

Statement of comprehensive income

Asia Aviation Public Company Limited Unit: Baht million	For the quarter ended 31 March		
	Consolidated 2013	Proportionate consolidated 2012	Change %
Revenues	6,029.0	2,482.7	+143%
Gross profit	1,288.2	427.1	+202%
Profit before finance costs and income tax	948.1	319.5	+197%
Net profit / total comprehensive income for the period	726.0	243.0	+199%
Profit attributable to:			
Owners of the parent	397.3	243.0	+63%
Non-controlling interests	328.7	-	+100%

Asia Aviation Plc. had an increase in revenues from Baht 2,482.7 million in 1Q12 under the 51% proportionate consolidation basis to Baht 6,029.0 million in 1Q13 based on the fully consolidation method. Net profit / total comprehensive income for the period significantly increased YoY from Baht 243.0 million under the 51% proportionate consolidation basis to Baht 726.0 million under the fully consolidation method. Profit attributable to owners of the parent increased 63% at Baht 397.3 million while non-controlling interests amounted Baht 328.7 million in 1Q13.

Statement of financial position

Asia Aviation Public Company Limited Unit: Baht million	As at 31 March 2013	As at 31 December 2012
	Consolidated	
Total assets	37,131.6	34,609.4
Total liabilities	11,666.0	9,891.6
Equity attributable to owners of the parent	18,678.2	18,259.1
Non-controlling interests	6,787.5	6,458.7
Total shareholders' equity	25,465.6	24,717.8

As at 31 March 2013, total assets amounted Baht 37,131.6 million, which mainly increased from aircraft, leasehold improvements, and equipment – net, given 1 new delivery in 1Q13 and from investments in private funds. Total liabilities as at the end of this quarter amounted Baht 11,666.0 million, which was mainly increased from finance lease liabilities on new aircraft delivery during the quarter and higher deferred revenues. Total shareholders' equity amounted Baht 25,465.6 million, increasing from retained earnings derived from profits of this quarter. Thus, equity attributable to owners of the parent amounted Baht 18,678.2 million and non-controlling interests amounted Baht 6,787.5 million as at the end of 1Q13.

Statement of cash flows

Asia Aviation Public Company Limited Unit: Baht million	For the quarter ended 31 March	
	Consolidated 2013	Proportionate consolidated 2012
Net cash generated from operating activities	1,327.0	816.2
Net cash used in investing activities	(1,752.3)	(31.1)
Net cash used in financing activities	(78.1)	(258.2)
Net increase (decrease) in cash and cash equivalents	(503.4)	526.9

For the quarter ended 31 March 2013 under the fully consolidated basis, Asia Aviation Plc. had net cash generated from operating activities of Baht 1,327.0 million, being the operating cash flows before changes in operating assets and liabilities of Baht 991.9 million. The net cash used in investing activities was Baht 1,752.3 million while the net cash used in financing activities was Baht 78.1 million. As a result, Asia Aviation Plc. had net decrease in cash and cash equivalents of Baht 503.4 million, ending the balance for the quarter-end of Baht 3,332.6 million.

Thai AirAsia's financial performance for 1Q13 has been summarized below:

Since 1 January 2013, Thai AirAsia had applied Thai Accounting Standard 12, which dealt with accounting for current and deferred income taxes. As a result, TAA had retrospective adjustments in statement of comprehensive income for the three-month period ended 31 March 2012, having the income taxes expenses increased by Baht 144.1 million, which led to the decrease in basic earnings per share of Baht 3.60; and in statement of financial position for the year ended 31 December 2012, having the deferred tax liabilities increased by Baht 27.8 million. For more details, refer to Thai Asia's notes to interim financial information no. 4.1 and no. 10 for the three-month period ended 31 March 2013.

Statement of comprehensive income

Thai AirAsia Company Limited Unit: Baht million	For the quarter ended 31 March		
	2013	2012	Change %
Revenues	6,029.0	4,868.1	+24%
Gross profit	1,294.0	837.4	+55%
Profit before finance costs and income tax	961.6	627.6	+53%
Net profit / total comprehensive income for the period	739.0	477.5	+55%

In 1Q13, revenues increased 24% from Baht 4,868.1 million in 1Q12 to Baht 6,029.0 million, primarily attributable to increase of passenger revenues, based on more passengers carried from 2.1 million in 1Q12 to 2.6 million in 1Q13 and from higher average fare from Baht 1,904 to Baht 1,995 or equivalent to 5% growth when compared to the same period of last year. With stable load factor of 87%, ASK in 1Q13 increased from 2,540 million in 1Q12 to 3,012 million, given the increase of 4 aircraft comparing year-on-year. Aircraft utilization had improved to 11.8 hours per day. Ancillary revenues per passenger increased from Baht 354 in 1Q12 to Baht 357 in 1Q13.

Gross profit grew 55% from Baht 837.4 million in 1Q12 to Baht 1,294.0 million in 1Q13, having higher gross profit margin of 21%. The improvement was mainly due to the decelerating growth of fuel cost from Baht appreciation as well as the decelerating growth of aircraft rental from Thai AirAsia entering into finance leases instead of operating leases starting 3Q12, thus, having 3 aircraft under finance leases out of a fleet of 28 as at 1Q13. In addition, ramp and airport operations costs declined based on the

incentives Thai AirAsia had received upon the relocation to Don Mueang Airport, while other costs such as repair and maintenance costs and staff costs were growing from larger fleet size.

Profit before finance costs and income tax increased 53% from Baht 627.6 million in 1Q12 to Baht 961.6 million in 1Q13, having improved EBIT margin of 16% despite increases in advertising and promotional expenses and brand license expenses.

Net profit / total comprehensive income for the period had a growth of 55% from Baht 477.5 million in 1Q12 to Baht 739.0 million in 1Q13, having net profit margin of 12% after including the income tax of Baht 195.2 million in 1Q13 and higher year-on-year finance costs from the interests of aircraft under finance leases.

Statement of financial position

Thai AirAsia Company Limited Unit: Baht million	As at 31 March 2013	As at 31 December 2012
Total assets	13,296.0	10,780.7
Total liabilities	8,661.1	6,884.7
Total shareholders' equity	4,634.9	3,895.9

As at 31 March 2013, Thai AirAsia Co., Ltd. had an increase in total assets to Baht 13,296.0 million, primarily attributable to the increases in aircraft, leasehold improvements, and equipment – net, given 1 new delivery in this quarter and in investments in private funds. Total liabilities as at 1Q13 had increased from finance lease liabilities on new aircraft delivery during the quarter and from deferred revenues. Having the net profit of Baht 739.0 million contributed Thai AirAsia to have the increases in retained earnings and total shareholders' equity, respectively.

Statement of cash flows

Thai AirAsia Company Limited Unit: Baht million	For the quarter ended 31 March	
	2013	2012
Net cash generated from operating activities	1,329.3	1,591.7
Net cash used in investing activities	(1,752.3)	(61.1)
Net cash used in financing activities	(78.1)	(506.2)
Net increase (decrease) in cash and cash equivalents	(501.0)	1,024.4

For the quarter ended 31 March 2013, Thai AirAsia Co., Ltd. had net cash generated from operating activities of Baht 1,329.3 million, being the operating cash flows before changes in operating assets and liabilities of Baht 994.9 million. The net cash increase from changes in operating assets and liabilities were mainly from the increase in deferred revenues. The net cash used in investing activities of Baht 1,752.3 million was primarily on the investments in private fund and short-term investments and partially on payments for aircraft, leasehold improvements and equipment. The net cash used in financing activities of Baht 78.1 million was mainly from the repayments of finance lease and interest paid. As a result, Thai AirAsia Co., Ltd. had net decrease in cash and cash equivalents of Baht 501.0 million, ending the balance as at 31 March 2013 of Baht 3,330.0 million.